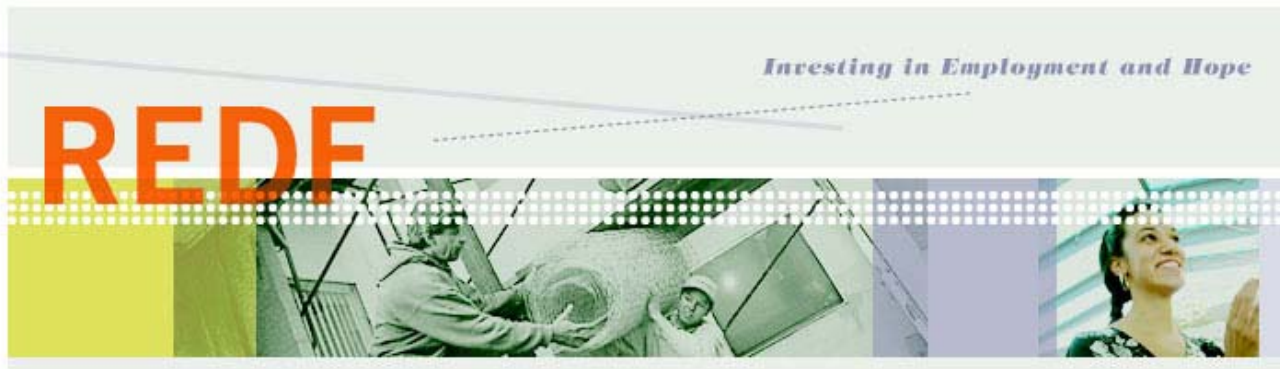

Social Enterprise Feasibility Assessment

*National Transitional Jobs Network
April 1, 2008*



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REDF

REDF creates job opportunities and pathways to employment for people with the greatest barriers to work.



New Door Ventures helps at-risk youth in San Francisco get ready for work and life by providing jobs, job-readiness and supportive community.

Objective:

- To give you a practical approach to assess the feasibility of a promising social enterprise idea


Key Concept:

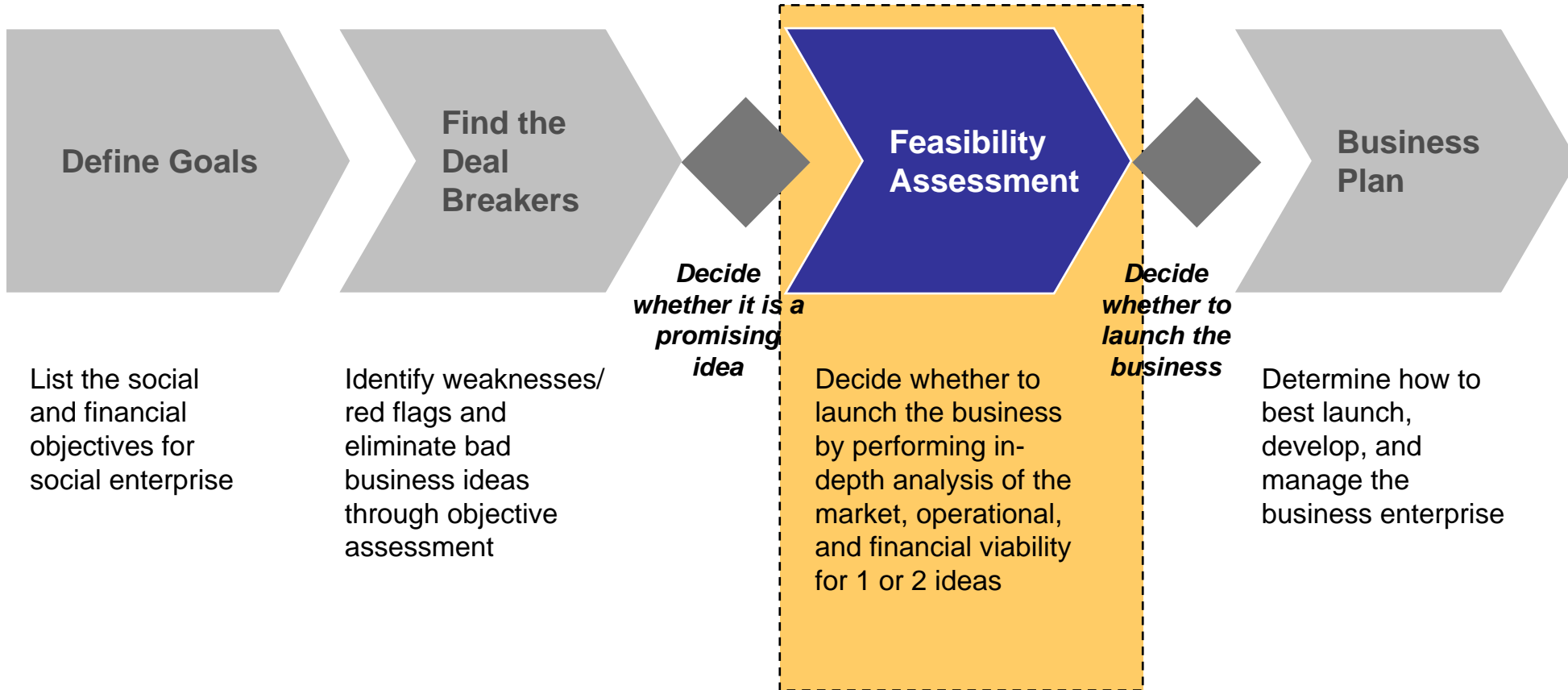
- This session is distinct from the previous session:
 - Pre-feasibility assessments are about getting to “no”
 - Feasibility assessments are about getting to “yes”

Agenda:

- Reminder of concepts from previous session
- Approach to a feasibility study with a case study example

What is the Social Enterprise Start Up Process?

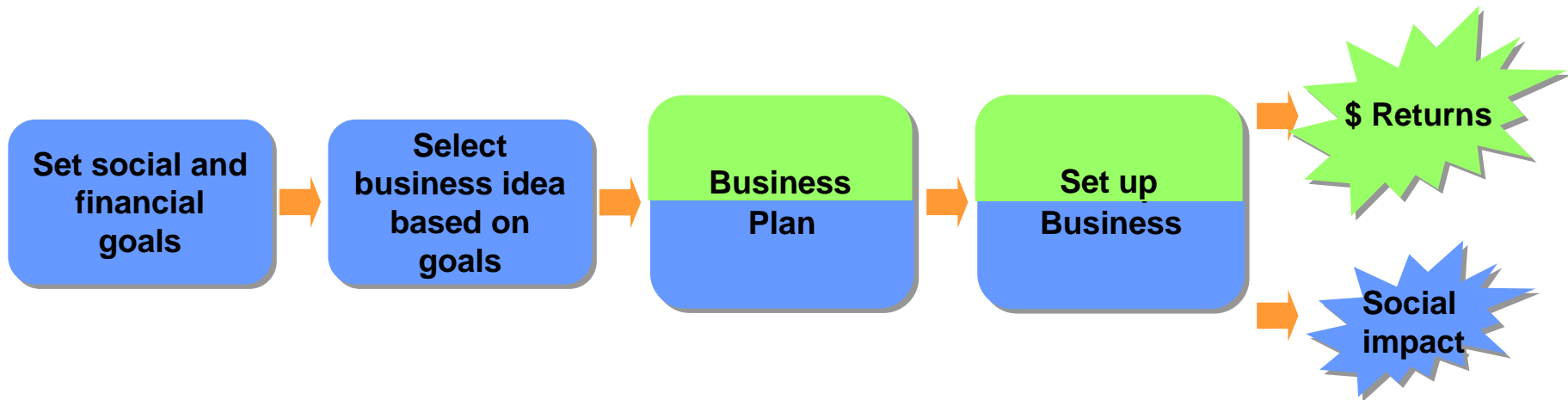
 Focus of this session



The desired outcome of a for-profit business is already known: to make a profit



The desired outcome for a social enterprise is not obvious and so the goals need to be established first



What Were New Door Ventures' Venture Criteria?

New Door Ventures established the following criteria for deciding whether a business idea fits with their social and financial goals:

	Business Idea 1	Business Idea 2
Financially sustainable business		
Able to scale / support >5 interns/yr.		
Less than \$1M investment overall		
Youth appropriate jobs		
Soft skill development		
Opportunity for advancement within enterprise		

Einstein's Cafe



- New Door Ventures acquired March 2001 (business started in 1997)
- Temporarily closed June 2003 pending “redesign” & “re-launch”
- Inner Sunset café
- Large portions of healthy, homemade food

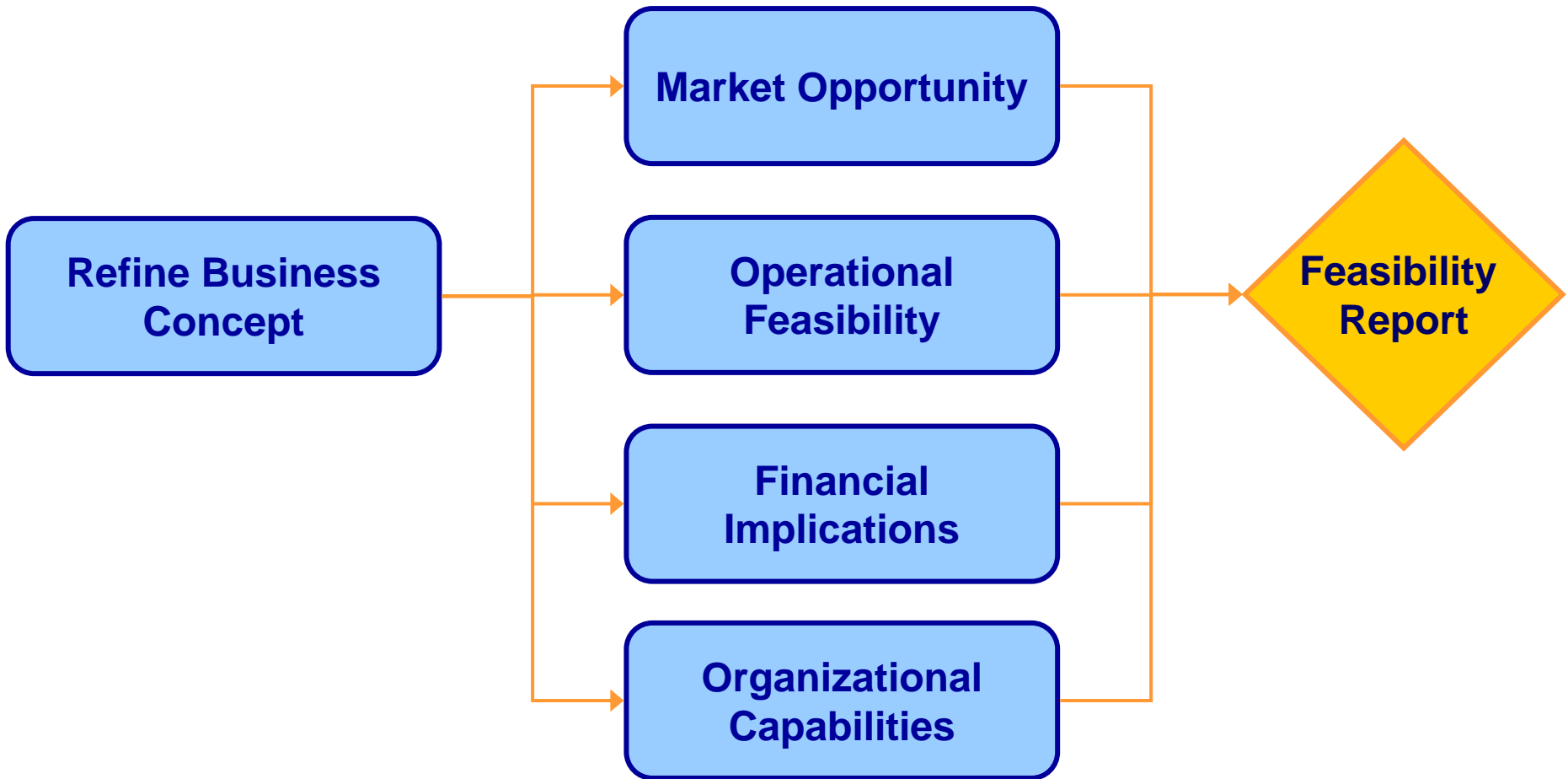
Grow Cafe



- Opportunity to partner with California Academy of Sciences for new museum opening (2004)
- 4-year contract
- SOMA cafe
- Healthy, organic & quick food (food prep but no homemade)

How Do You Approach the Feasibility Analysis?

This analysis is focused on understanding whether the organization could make the business work and if they should launch the business



How Do You Refine The Business Concept?

Objective

To describe the business idea in more detail

Key Questions

- What specific products or services would be offered?
- Who are your customers?
- What is your value proposition to customers?



Activities

- Research competitive businesses to list the products and services you could offer in this market
- Discuss business concept with project team

Output

- A description of the business in terms of: customers, value proposition, product/service

Which Business Concepts Were New Door Ventures Considering?

		 Grow Café
Target Customers	Neighborhood residents (mostly single, young adults)	Museum visitors – mostly moms/parents w/ children Neighborhood business employees Museum employees
Value Proposition	Lots of good food for little money Beautiful garden for leisurely eating (on sunny days)	Organic, sustainable and delicious Kid-friendly menu Convenient
Products Offered	'Healthy' lunch menu of soups, salads, sandwiches Homemade bread and cookies Sit down venue (128 pp capacity) Focus on lunch rush	Healthy café fare Food prep using local, organic ingredients Quick eats & take out options (~40 pp capacity) 10-5pm daily

How Do You Understand The Market Opportunity?

Objective

To understand the market landscape

Key Questions

- Do customers for the product/service exist?
 - What do customers need?
 - Which customer segment should you target?
 - How large is the market?
- What are the trends in this market?
- What is the competitive landscape?
- Is there room for another provider in this market?



Activities

- Review industry reports and data on market size, segments, trends
- Interview market experts and potential customers
- Research competitors for pricing, products, and value proposition

Output

- Map of the market landscape

What Was The Market Opportunity For New Door Ventures?

		 Grow Café
Market Positioning	<p>Old menu appealed to students at nearby UCSF</p> <p>New menu isn't unique or a bargain</p>	<p>Location, location, location</p> <p>Organic, sustainable, delicious food perfectly dovetails with Academy's mission and local museum visitor tastes</p> <p>Unique menu</p>
Customers	<p>Neighborhood residents – however, grassroots marketing has been ineffective</p> <p>No margin for larger marketing efforts</p>	<p>Tourists who are not price sensitive</p> <p>Local moms with kids (although they often pack their lunches and snacks)</p>
Competitors	<p>Significant neighborhood competition</p>	<p>Only food option in the museum</p> <p>Few competitors in the neighborhood</p>
Potential New Markets	<p>Too far away from downtown to do catering</p> <p>Environment not suited to dinner therefore only lunch is offered</p>	<p>In-house catering opportunities</p>

How Do You Determine Operational Feasibility?

Objective

To understand how the business operates

Key Questions

- How do these businesses operate?
- What are the keys to operational success and is the agency able to deliver?
- What are the biggest risks in this business?
- What skills and capabilities would the target workers need?
- Are there any operational aspects that do not fit with the venture criteria?



Activities

- Review industry reports, magazines and websites for operational data
- Interview similar providers and market experts to understand:
 - How the business works
 - Keys to success and potential pitfalls
 - Staffing capabilities and skills necessary
 - Cost drivers

Output

- Details of how the business operates

How Feasible Were New Door Ventures Options?

		 Grow Café
Keys to Operational Success	Develop menu and layout to optimize efficiency and reduce lunch lines	High quality and high customer service Quick service Optimizing very small space Keeping food costs low w/ highly perishable & expensive ingredients
Major Risks	Finding appropriate GM Demand creation Ability to change reputation Business is highly seasonal	Finding appropriate GM Museum visitor traffic
Target Population Skills Required	Food prep and food assembly	Food assembly
Benefits	Not starting a new business from scratch Some customer loyalty (but new menu will risk that)	Design optimal menu and layout from scratch Partnership with large, known nonprofit Small space therefore interns are visible Non-seasonal business

How Do You Understand The Financial Implications?

Objective

To quantify the opportunity

Key Questions

- How does this business fit with the financial venture criteria?
 - What is the forecast profitability?
 - How long will it be until the business breaks even?
 - What are the start-up costs?
- What are the key drivers of profitability?
 - Can the enterprise operate at this level?



Activities

- Use findings and data from operational and market research to build a financial model:
 - Cost
 - Revenues
 - Operational ratios and drivers
- Determine base financial projections and break-even time
- Perform sensitivity analysis on key drivers
- Estimate the breakdown of social and business costs

Output

- High-level financial model and sensitivities

What Were The Financial Implications of New Door Ventures Options?

		 Grow Café
Start Up Costs	\$100K investment to revamp	Build-out costs are expensive, but sharing costs with Academy
Break Even	<p>High rent & utilities</p> <p>Break-even requires higher sales volume</p> <p>Need to reduce COGS from 41% to 33%</p> <p>Breakeven in 2 years</p> <p>Low confidence we can make the plan work</p> <p>No contingency</p>	<p>Free rent & utilities</p> <p>Breakeven hurdle lower with free rent and no marketing costs</p> <p>4-year contract</p> <p>Breakeven in 2 years</p> <p>Confidence that our offering meets needs of target market</p> <p>Contingencies: Catering; Renegotiating relationship w/ Academy.</p>

How Do You Understand Your Organizational Capabilities?

Objective

To understand if the organization can operate the enterprise successfully

Key Questions

- Does your target population have the skills needed to do the enterprise jobs?
- Will the job meet their needs?
- Does the enterprise satisfy all staffing-related venture criteria?
- Could the agency satisfy all management needs through in-house personnel or hiring?



Activities

- Use operational research findings to list:
 - Worker tasks and skills needed
 - Management needs and capabilities
- Using internal knowledge assess whether:
 - Target population can do the enterprise jobs
 - Enterprise jobs would meet the target populations' needs
 - The agency has the management capabilities to succeed

Output

- An organizational capabilities assessment

How Appropriate Was Each Option for New Door Ventures?

		 Grow Café
Target Population	<p>Grab & go fits youth intern skills, but not certain it will appeal to target customers</p> <p>Cafes are excellent training grounds for our clients, and skills are highly transferable for SF jobs</p> <p>Highly transferable skills for SF jobs (hospitality, customer service, food service, retail)</p>	<p>Food assembly is a good match for youth intern skills</p> <p>Highly transferable skills for SF jobs (hospitality, customer service, food service, retail)</p>
Management	<p>Finding the right GM is challenging, especially for a re-start in an old location</p>	<p>Finding right GM is challenging, but made easier because of the cache of operating in partnership with the Academy AND in a new, clean space</p>

How Do You Create A Feasibility Report?

Objective

To understand whether the business meets the venture criteria

Key Questions

- Will this business idea meet the goals as outlined in the venture criteria?
- Could you make this business enterprise work? Should you launch?
- What would the business require and could you deliver?




Activities

- Create a report that:
 - Summarizes that market, operational, and financial feasibility of the business idea
 - Aligns the enterprise idea against the venture criteria
- Use the findings from the report to decide whether to proceed with the business idea




Output

A feasibility report assessing whether the business idea meets the objectives outlined in the venture criteria

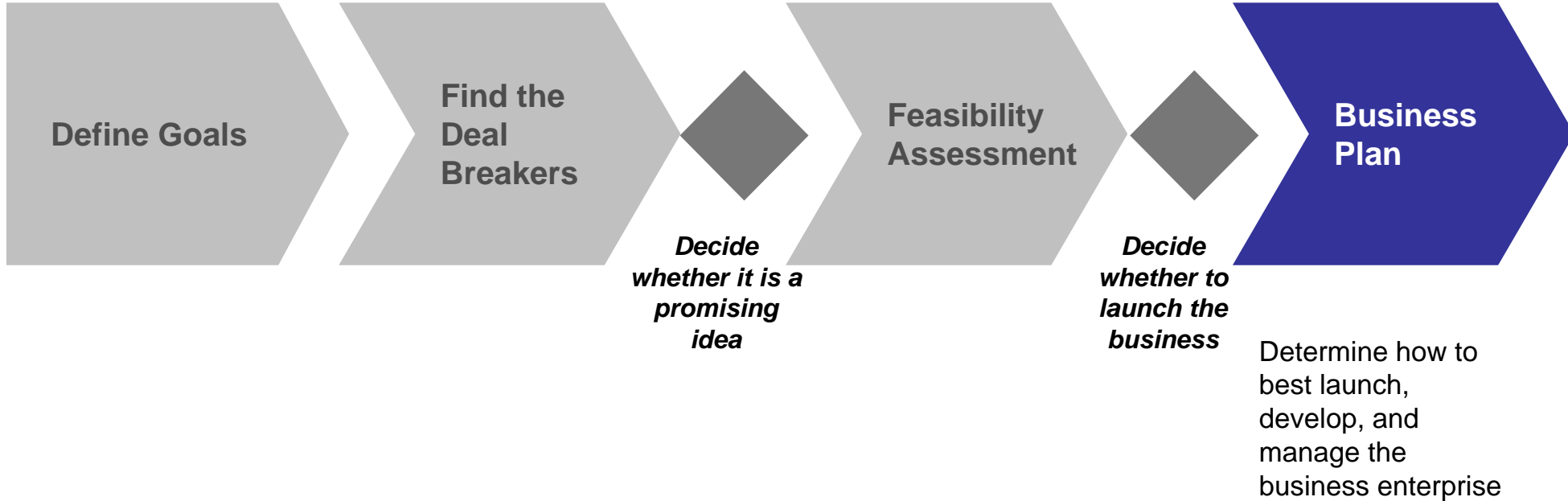
	Einstein's Cafe	Grow Cafe
Market Opportunity	Red	Green
Operational Feasibility	Green	Green
Financial Implications	Orange	Green
Organizational Capabilities	Orange	Green
Business Opportunity Criteria fit	Orange	Green

-  meets criteria
-  partially meets criteria
-  doesn't meet criteria

	Einstein's Cafe	Grow Cafe
Financially sustainable business	Doesn't meet criteria	Meets criteria
Able to scale / support >5 interns/yr.	Partially meets criteria	Meets criteria
Less than \$1M investment overall	Meets criteria	Meets criteria
Youth appropriate jobs	Meets criteria	Meets criteria
Soft skill development	Meets criteria	Meets criteria
Opportunity for advancement within enterprise	Meets criteria	Meets criteria

-  meets criteria
-  partially meets criteria
-  doesn't meet criteria

The next step is the business plan:



**Workshop: April 2
9.30 am
Calvin Simmons
2&3**

REDF

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Portfolio Manager, REDF



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